

PROJECT DOCUMENTS

**VANWODS – COMMERCIAL APPROACH TO MICRO FINANCE
SERVICES FOR THE POOR AND DISADVANTAGED**
(PROJECT NAME)

VAN/03/001
(PROJECT NUMBER)

March, 2003

A. CONTEXT

1. Background

Vanuatu has been accorded the UN Least Developed Country status since 1995 and has been ranked as 13th of the 15 poorest Pacific Island Countries by the Human Poverty Index (HPI). Adult literacy is estimated at 33.5%, economic and social situation reflects a narrow income base with almost 65% of the GDP generated by the service sector, 25% from agricultural sector, and 10% from the manufacturing. Tourism remains the major foreign exchange earner but is still largely concentrated in Port Vila. Nearly 80% of the population lives in the rural areas, contributing less than 20% to GDP. There are very limited income opportunities in the urban and rural areas, and with the increasing disparities in rural/urban socio-economic situation, there is increasing population drift to the major urban centres of Port Vila and Luganville.

In 1999, Port Vila counted 733 households earning less than VT4,600 (US\$35) a week (of which 430 households were earning less than VT 1,100 (US\$10 a week) and 1,327 households earning between VT4,600 (US\$35 and VT11,499 (US\$90) a week. In addition, around 2,755 disadvantaged households live outside the municipal boundaries in settlements and squatter areas. The VANWODS' (the Micro Finance Project currently being jointly undertaken by the Government of Vanuatu and UNDP, and the subject of this Project Document) primary target group consists of approximately 4,815 disadvantaged households living in urban Port Vila and settlement and squatter areas bordering the city. This number will grow each year as the city expands. The majority of these low income households do not have access to the formal financial market.

Increasingly signs of social and physical stress are manifesting itself with rising crimes, unemployment, and vagrancy, growth of squatter settlements, malnutrition and public health problems. Government, through its Comprehensive Reform Programme, is seeking sustainable solutions to the growing disparities in income and opportunities. VANWODS as microfinance service provider targeting the poor is recognized as a major player in the country's poverty reduction efforts.

2. Historical Overview of VANWODS

VANWODS started as a pilot project implemented under the then Department of Women and Culture in 1996 with financial and technical support from the UNDP/UNOPS Regional Equitable and Sustainable Human Development Project. The project was initiated in response to the Vanuatu National Plan of Action for Women to provide disadvantaged women with access to microfinance and income earning opportunities.

With the successful piloting of the project, a full project was developed under the UNDP country programme in 1997 - VAN/97/002, the Vanuatu Women's Development Scheme (VANWODS). The project was implemented through the Department of Women's Affairs and technically backstopped by the UNDP/UNOPS

Pacific SMILE Programme (RAS/98/305) and the successor Pacific Sustainable Livelihoods Programme (RAS/02/360).

VANWODS is considered a successful micro finance project, having achieved significant milestones in the promotion of micro enterprises and household savings amongst the generally, economically inactive and poor women in the squatter areas within and around Port Vila. Its achievements are:

- a total cumulative outreach of 810 very poor and disadvantaged women, which are provided access to savings and loans facilities
- as of December 2002, has a total roster of 741 active clients
- provided a total of 2,045 loans worth a total of VT 39.144 million over a period of six (6) years
- recorded a consistent repayment rate of 100%
- generated a total of VT 20 million in savings deposits as of December 2002
- able to progressively cover 25 % of its operating costs
- can claim to be one of more successful micro finance project in the South Pacific, targeting the very poor.

Through the years, the VANWODS Project embraced the vision of becoming a sustainable financial institution owned and managed by its own members/beneficiaries. In 2001, after five years of operation, it reached a size and stage that it became desirable to transform the Project into an independent beneficiary-owned organization registered under the Charitable Associations Act of Vanuatu. Its mission is to contribute to poverty reduction in Vanuatu through the economic empowerment of disadvantaged women by providing them with access to micro finance services, enterprise training and community organization support.

3. The Development Strategy for VANWODS

The Project Assessment conducted in October 2002 recommended that in order for VANWODS to provide financial services to the poor and disadvantaged on a permanent and large-scale basis, it has to become self-sustaining and wean itself from continued dependence on government and donor funding. The two main pre-conditions to achieve this are (a) confirmed availability of capital injection amounting to Vatu 93 million from 2003 to 2008 as set out in the Viability and Financing Plan (Annex 3) and (b) VANWODS has to undergo major institutional and organization changes consistent with that of a commercially-oriented MFI. The transformation strategy towards self-sustainability was endorsed by major stakeholders at the High Level Meeting held in Port Vila on 4 February 2004 (minutes in Annex 9) and will comprise the following key activities:

- a) Realignment of Corporate Values and Institutional Structure. VANWODS will be transformed from a beneficiary-owned NGO to a client-oriented and commercially-driven Micro Finance Institution (MFI), while maintaining its continued focus of providing responsive microfinance services to the poor and

those who do have access to commercial financial sector. Its current constitution, corporate culture and values, governance structure and composition and accountabilities will need to be realigned and improved accordingly.

- b) Upscaling the Internal Operational Support. Professionally qualified and experienced staff, consistent to that required to manage and operate a commercial MFI, will be recruited. Continuous training will be provided to staff to keep abreast of the demands of the operations. An updated Management Information System (MIS) and other support facilities will be put in place to support the growth of its operations.
- c) Revision of the Market Strategy and Expansion of Market Base. The new VANWODS will not only confine itself with the current client base – comprising of disadvantaged and poor women. It will target other sections of the poor and disadvantaged – especially those who do not have access to the formal financial sector. Its client base will be diversified and expanded to include not only the poorest of the poor but also the near poor, entrepreneurial poor, self employed poor and the working poor. Moreover, it will also begin to extend services to men¹.
- d) Diversification of Financial Services and Products. The new VANWODS will provide a wider range of financial products and services appropriately designed for the poor and the disadvantaged. Loan facilities will be of several kinds. These will include, in addition to micro enterprise loans, business loans for short term capital requirements such as supplier’s overdraft, raw materials or equipment, short term bridging financing, etc. It will also provide larger working capital requirements for established small business owners with no immediate access to banks, vehicle rehabilitation loan for small/micro scale transport operators, stock loans for small scale fish and market vendors, etc. Other non-business loans such as tuition fees and education loans, medical expenses, house improvement, purchase of home furniture and assets, and loans for family emergency expenses relative to (i.e. deaths, births, marriages and meeting customary obligations).
- e) Improved Focus on Operational Results and Performance. A performance-oriented culture will have to be stimulated within the Board, management and staff. Its primary goal will be aimed at self-sustainability while still maintaining its strong focus on the poor and the disadvantaged.
- f) Strict Monitoring of the Budget and Financial Plan. The new operations will observe strict budget control measures and adopt a professional approach to

¹ By definition common to micro finance practitioners, “near-poor” refers to families and households whose living condition is slightly above the identified poverty line; The “entrepreneurial poor” refers to households whose sole source of income is the family-owned micro enterprise with 2 or more family members employed in it, but not formally receiving salaries; the “self-employed poor” refers to households whose sole breadwinner is engaged in an informal/micro enterprise decidedly of smaller scale than the entrepreneurial poor; the “working poor” refers to families whose main source of income comes from irregular/seasonal employment such as sugarcane harvesters, casual construction workers, housemaids/helpers, etc.

the financial planning and use of funds. Its financial strategy is to achieve income surpluses to finance growth and/or diversification.

4. The Growth Potential for VANWODS

The growth potential of VANWODS is based on the following factors:

- a) There is a very large demand for VANWODS Loans and Savings Services. As of January 2003, there are 77 new and repeat clients with approved loans, totaling VT 2.5 million, awaiting disbursement. There are a further 345 women who have been pre-qualified. There are 4,815 disadvantaged households in the greater Port Vila Township and its immediate surroundings that are potential clients. The total population of great Port Vila is expected to double from 30,000 in 1999 to 60,000 in 2008.
- b) There is demand for micro finance services and products from other disadvantaged groups. Currently, it is servicing the needs of the poorest of the poor. It can expand its client base by extending services to near poor, the entrepreneurial poor, the self-employed poor and the working poor. These poor people have greater potentials and capabilities to engage in gainful economic activities and require far less preparation and monitoring. These groupings are also more commercially viable, generating a continuous income stream for VANWODS to continue serving the poorest of the poor.
- c) There is demand for other and varied types of micro finance products and services. An initial market survey conducted by PSLP revealed that there is strong demand for various types of financial services by market vendors, small business owners, taxi and mini bus operators, lower level public sector employees and families with irregular income. Each of these groups will require a different financial product suited to their specific economic activity. The demand for savings and consumption smoothing loans are high among people with low or irregular income. Consumption loans take the uncertainty out of the lives of the poor and enable them to maintain their standards of living, keep children at school, maintain nutritional levels, remain healthy and productive and prevent them from selling their productive assets in times of need.
- d) VANWODS has established a credible reputation as a Micro Finance Provider. The good reputation that VANWODS enjoys provides a strong foundation for upscaling its micro finance operations.

5. Gender, Women and Rural Communities

The proposed VANWODS Project envisions a continued support for the economic empowerment of women, gender equality and likewise to influence the economic development of rural and peri-urban communities, albeit in indirect manner.

- a) Economic Empowerment of Women. The operations of the current VANWODS have been particularly successful in the economic empowerment of women, and especially the poor women. The project provided access to financial services and products which enabled the women to venture into micro enterprises and engage in economic activities which not only supplemented the husbands' income, improved the quality of their lives but also helped them better manage the future. While the new VANWODS will begin to extend its services to men, it will continue to give priority to women clients mainly because they make up the larger proportion of people engaged in the informal sector and, generally, have fewer opportunities compared to men.
- b) Gender Roles in the Family. The success of VANWODS, to date, can be attributed to its social mobilization approach that recognizes gender roles in poor households. While women are its target clients, orientations involve the whole family. The new VANWODS will continue to promote this principle and methodology for its group lending.
- c) Economic Contribution to Rural Communities. In order for VANWODS to become progressively self-financing and to properly strengthen its institutional capacity, it will concentrate on servicing clients in the greater Port Vila area. Expansion outside of Port Vila, and especially to the provinces, during the growing stage, will greatly increase its operating costs and over-extend its staff - adversely affecting its viability. Even with its initial focus on the Port Vila market, it will generate indirect benefits to rural communities through:
- Provision of loans to market vendors in Port Vila who buy their produce from rural Efate and the outer islands
 - Most of the people living in the squatter settlements are from the provinces. If their income is increased, they are better able to remit funds and materials to their rural relatives
 - The stimulation of growth of a vibrant informal sector in Port Vila will generate ideas and opportunities for people in other secondary and rural centres
 - VANWODS will also work with other NGOs, CBOs and provincial offices to start up self-managed savings groups and associations in the rural areas. This is a deliberate strategy for the eventual expansion of VANWODS to the provinces.
 - VANWODS, as it matures into a commercial MFI, will naturally seek out profitable clients elsewhere when the urban market is saturated. Rural outreach can only occur when it has reached the stage where it is able to generate surpluses for social investment. Expansion to the provinces must never be forced upon it prematurely.

B. STRATEGY FOR USE OF UNDP RESOURCES

The provision of UNDP's financial and technical resources in the implementation of the proposed VANWODS Project is aligned with the aims and objectives of the MDG specifically in the areas of (a) Eradication of Extreme Poverty, (b) Promotion of Gender Equality and Empowerment of Women,, (c) Development of Global Partnership for Development.

1. Eradication of Poverty. Access to sustainable financial services enables the poor to achieve the MDGs on their own terms, allowing them to increase and diversity incomes, build human, social and economic assets and to improve their livelihoods. A small loan can help the poor break out of the cycle of poverty when it is invested in an economic and productive activity that generates increased income. Savings provide a cushion against unexpected shocks, such as illness or a natural disaster that can push them into further destitution. Services that enable poor people to save and to borrow small amounts of money help to take the uncertainty out of their lives and enable them to keep their children at school, improve their homes, meet customary obligations, seek medical help when they need it and to invest in starting or expanding their small business.
2. Promotion of Gender Equality and Empowerment of Women. VANWODS had, for the past six (6) years, been promoting the economic empowerment of women and gender equality through the provision of business opportunities to poor and disadvantaged women. This sector of the society, erstwhile, economically non-productive and non-contributory to family income, had been given the chance to engage into small economic activities through VANWODS' specially designed financial services and business training. Gender equality had become a consequence to the business and domestic partnership stimulated and developed between housewives and husbands, and had helped develop an improved perception as to the role of the women in the economy. While the proposed VANWODS project will expand its target market to include men, it will continue to actively pursue the objectives of the MDG along the aspects aforementioned.
3. Global Partnership to Development. The transformation of VANWODS from a donor-dependent micro finance project to a commercially-oriented Micro Finance Institution, pursuing self-sustainability, is seen as a partnership between VANWODS as a microfinance provider, the government of Vanuatu and UNDP. The institutional capacity building and financial resources required to set VANWODS on its planned progress towards self-sustainability is beyond the capacity of any of the partners acting individually. The fostering of cooperative and coordinated work relationship between these stakeholders is amongst the best ways of promoting global partnership towards development.

The establishment of a sustainable and viable micro finance institution especially providing access to banking services for the marginalized sector of the society is amongst the strategies being implemented by the UNDP in its poverty alleviation

drive. The pooling of resources from VANWODS, the government and from the UNDP is critical to the establishment, viability and sustainability of VANWODS the MFI. In financial terms, a total of VT 930 million (approx \$690,000) is needed, over the next 6 years, to capitalize its operations and on-lending activities that will see it covering operating costs by 2005 and generating a surplus by 2007. By 2008, VANWODS will no longer be dependent on outside sources of grant support.

UNDP's financial inputs, totaling \$300,000, will make up 37.66 % of the total financing for VANWODS. The rest will be provided by government. UNDP's proven experience in the area of microfinance, both globally and through its regional Pacific Sustainable Livelihoods Programme (PSLP), has enabled it to play a facilitative role in mobilizing the necessary political and financial support from government as well as the support from other bilateral and multi-lateral development partners active in Vanuatu - notably the European Union and NZAid.

C. IMMEDIATE OBJECTIVES, OUTPUTS, INDICATORS AND ACTIVITIES

The overall objective of the proposed VANWODS project is aligned with the aims of the Millennium Development Goals (see Section B). The accomplishment of said objectives shall be pursued on two stages: (a) The re-engineering of the current operations of VANWODS while building from its experience and technical capabilities, and (b) The establishment of an independent, financially self-sustainable and commercially oriented micro finance institution which, however, will continue to be focused on the provision of micro finance services to the poor and disadvantaged households. Its expanded and diversified operations shall provide the target market within Port Vila and the adjoining communities, the opportunities and access to financial products and services which could improve the quality of their lives and living standards, as a whole.

The two immediate objectives of the project shall bring to forth the following contributions to the MDG, viz.

- Towards poverty, alleviation with the release of about Vt 126.50 million disbursed in loans for enterprise promotion and income-generating projects to provide more regular source of income and/or supplemental income for the poor and low-income households. In addition, the release of about Vt 155.96 million in social loans such as education, house improvement, medical and family emergencies, which in all provide the poor households the opportunities to better respond to the difficulties of life.
- Towards gender equality and economic empowerment of women, with the opening of access for financial products and services for both men and women; and the provision of full assistance for women to learn about opportunities and undertake gainful economic activities. Since the original VANWODS project, it has been significantly contributing to the economic empowerment of women and this principle will continue together with the targeting of male clientele.

- Towards global cooperation for development. The continued partnership of the government of Vanuatu and UNDP is a clear manifestation of international cooperation towards development. The partnership is further strengthened with the more direct and active involvement of the clients' sector which is comprised of individuals from the poor and disadvantaged households of the communities in and around Port Vial. This tri-sectoral involvement in a poverty alleviation program/project pursues the objectives of the promotion of global cooperation towards development.

Immediate Objective 1. The re-engineering of the current VANWODS operations and the establishment of the VANWODS the MFI.

Outputs & Output Indicator	Activities
<p>The existing Vanwods operations ceased and Vanwods the MFI duly registered under a revised operations. This output shall have the following indicators:</p> <ul style="list-style-type: none"> • Funds acquittal and financial records acknowledged and approved by the Board. • Government confirms the new host agency for the VANWODS and accepted by the Board. • Constitution approved by the Board. • Operations Manual, products and Services and Systems and Procedures approved by the Board and formally implemented. • Full staff complement confirmed by the Board. 	<ul style="list-style-type: none"> . Accomplishment of the remaining business under the current VANWODS operations, the regularization and reconciliation of financial statements and records under the assistance of UNDP-PSLP sponsored Management Transition Team. . Determination of the new host government ministry for VANWODS by. . The revision and amendment of the constitution and the appointment of the new Board. This will be undertaken by the VTMT subject to consultation with the Office of the Prime Minister, the host ministry and the UNDP. . Preparation and documentation of revised operations manual, product and services, and internal systems and procedures. This will be accomplished in consultation with the major stakeholders and the clients/target market. . Recruitment, hiring and development of professional management and staff, to be undertaken by the VTMT (short-listing) and subject to final selection by the Board.

Immediate Objective 2. The establishment of an independent, financially self-sustainable and commercially oriented micro finance institution which will continue to be focused on the provision of micro finance services to the poor and disadvantaged households.

Outputs & Output Indicator	Activities
<p>VANWODS, the MFI recognized as an established, independent and financially self-sustainable Micro Finance Institution, having achieved the following indicators:</p> <ul style="list-style-type: none"> • Fully operational institution • Effective Board of Trustees • Reliable Management and Staff • At least 2,000 active clients by 2008 • Released Vt 282.5 Million in business and social loans to the poor and disadvantaged Households in Port Vila, within the first 6 years of operations. • Operationally viable starting 2007 • Self sustainable starting 2008 	<ul style="list-style-type: none"> . Development of a Viability Plan for VANWODS, to be approved by the BOARD. This is to be accomplished by the management with the assistance from the Vanwods Transition Management Team. . Secure the funding requirements for the 6-year financial plan. This is to be monitored by the UNDP-PSLP. . Formulation/presentation to the Board/ Approval of a strategy for sustainability and implementation of the same. To be undertaken by the Management with assistance from the VTMT. . Development of new financial products and services, the information materials and adoption/implementation of a duly approved marketing strategy. To be accomplished by the management and the VTMT in coordination with the UNDP-PSLP. . Securing of funding/Installation of an appropriate MIS. To be undertaken by the management with assistance from the VTMT. . Conduct of regular result-oriented operations monitoring and assessment activities to be conducted by the management based on the reporting systems and parameters set forth by the VTMT/UNDP-PSLP.

D. INPUTS

UNDP, through TRAC resources, will make available the sum of \$ 300,000 (approx. Vatu 40.5 million). This represents the full allocation of funds by UNDP earmarked for support to VANWODS under the Vanuatu Country Programme Outline. UNDP's funding will make up 37.66% of the total financial injection of Vatu 93 million needed to launch VANWODS on a path towards self-sustainability over a 6 year period (2003 to 2008) as per the attached Viability and Financing Plan (Annex 3).

UNDP's funding will be directed at:

- \$36,000 for short-term consultants (2 w/m) to conduct the mid-term(2004) and final evaluations (2007)
- \$63,000 for a UNV microfinance training specialist (18 w/m) to provide management and operations training for national staff
- \$41,000 for international consultants to provide expertise in Product development and savings mobilization.
- \$37,500 for project monitoring visits by UNDP and PSLP staff
- \$44,310 in salaries for the first 2 years (2003 and 2004) of the two critical positions of Manager and Finance Officer. Funding for these 2 national positions will be assumed by government after year 2.
- \$37,000 for training in the areas of governance for financial institutions, market and product development, management information system, financial management and financial planning
- \$32,230 for purchase of computers for automation of the MIS and office procedures and office furniture
- \$15,730 for rent and operating costs of the institution for the first 2 years (2003 and 2004). Funding after year 2 will be covered by government and progressively from income
- \$3,200 for advocacy and media initiatives.
- \$12,460 for supplementing the on-lending capital requirements for years 1 and 2 (2003 and 2004) as per the viability and financing plan. Additional capitalization will be provided by the Ni-Vanuatu Business Development Centre and the government.

The budget showing UNDP contribution is in Annex 1.

UNDP's funding is an integral part of the financing plan for VANWODS Approved by government at the High Level Meeting of Stakeholders held on 4 February 2003 in Port Vila (minutes of meeting is in Annex 9). The funding from government will include:

- a) Vatu 10.0 million (approx. US\$ 75,000) from the Ni-Vanuatu Business Development Centre, to be made available by 1 April 2003. This will be used to finance the projected increase in loan releases during the first year.

b) A total of Vatu 42.50 million (approx .US\$ 315,000) from the Vanuatu Government, spread across four years from 2004 to 2007. Government will make available the annual amounts shown in the financing plan at the beginning of each financial year.

VANWODS will also continue to mobilize additional resources to strengthen its service delivery capacity. In the pipeline is a funding proposal valued at VT 4 million for additional on-lending capital from the Non State Actors fund of the European Union. A proposal to the New Zealand Small Grants Scheme for funding the design and installation of its MIS is being developed.

E. RISKS AND PRIOR OBLIGATIONS

As VANWODS the MFI will be operating effectively as a business, the usual factors contributing to business failure are all potential risks. These, and how they are to be minimized, are tabulated below:

Risks	Actions to Minimize Risk
1. Weak management capacity	<ul style="list-style-type: none"> . TOR with specific skills requirement prepared . rigorous selection process under the supervision of the VTMT . performance measurement against targets will be instituted . training and supervision to be provided by the MF training specialist and PSLP . a mid-term (2004) and final evaluation (2007) will assess impact and recommend corrective actions
2. Weak control and tracking of financial flows – especially cash flow, portfolio quality, profitability, cost-effectiveness ratios	<ul style="list-style-type: none"> . MIS to be installed and regular financial reports generated . performance measurement system to be put in place to monitor financial performance and portfolio quality . monitoring by Board and PSLP
3. Low productivity of staff	<ul style="list-style-type: none"> . extensive staff training will be provided . staff productivity (outreach , cost/client and staff/\$portfolio) will be monitored monthly . regular assessment of outreach methodologies to improve cost-effectiveness
4. Low demand for financial products	<ul style="list-style-type: none"> . products to be developed based on extensive client and market research . minimize transaction costs to clients . products are to be priced competitively . regular monitoring of profitability and demand for each financial product

	. institute regular client satisfaction surveys
5. Low loan repayment rates affecting income flow	. rigorous screening procedures will be contained in the Operations Manual . retain methodologies that have enabled VANWODS to achieve its 100% repayment rate . give priority to women who have proven to be responsible and bankable clients . recognize gender roles to minimize conflicts that can affect the ability to earn and service the loan

The prior obligations that must be met before UNDP can sign the project document are:

- a. Approval of Vt 10 million contributions from the Ni-Vanuatu Business Centre to VANWODS by 21 March 2003. It is expected that this contribution will be in the form of a grant and that there are conditions specifying the locations and target groups that these funds can be lent to.
- b. Designation of the host ministry and national executing agency for the project
- c. Formal endorsement by government of the establishment of the VANWODS Transition Management Team, its TOR and Plan of Action.

It is noted that government, through the Director-General of the Office of the Prime Minister has already officially confirmed government's contribution of VT42.5 million from 2004 to 2007.

F. MANAGEMENT

The project shall be implemented through National Execution. The government, as one of its prior obligations, will nominate a relevant government ministry to be the designated national executing agency. The national executing agency shall, in addition to the normal project executing functions, be responsible for the timely preparation of the annual budget containing government's annual financial contribution to VANWODS over the agreed six year period and as set out in Annex 3.

The Board of Trustees will play a key role in monitoring the performance of VANWODS. All major funders and stakeholders of VANWODS will be represented on its Board of Trustees. Minimally, this will include client representatives, the Ni-Vanuatu Business Development Centre, the national executing agency and UNDP. UNDP's participation at board meetings will by proxy if its representative is not able to be physically present at such meetings.

The UNDP/UNOPS Regional Pacific Sustainable Livelihoods Programme (PSLP - RAS/02/360) will assist UNDP in monitoring the performance of VANWODS against the various indicators contained in the Viability and Financing Plan. It will also provide

technical support to the project in the form of management training, product development and trouble-shooting. PSLP will also assume responsibility for the transition phase of VANWODS and will lead the VANWODS Transition Management Team. The VTMT shall comprise the PSLP Regional Micro Finance Specialist, a local consultant, and an internationally recruited microfinance training specialist. The TOR for the VTMT and the MF training specialist are in Annex 4 and Annex 5.

G. MONITORING AND EVALUATION

As the objective of the project is to capacitate VANWODS to become progressively self-financing over the next 6 years, regular and rigorous monitoring of its performance will be critical to its success. The Viability and Financing Plan (Annex3), which sets out the performance targets, will be the basis for the monitoring and assessment of its performance. A schedule of reporting, based on a duly approved accountability structure will be developed and VANWODS staff trained in the preparation of these reports.

In addition, UNDP and PSLP will undertake regular monitoring visits (at least 3 visits per year, for the first three (3) years and reduced to at least twice in the next three (3) years) to assess its institutional development and financial performance. During these visits, PSLP will initiate corrective actions as necessary. Its reports will be distributed to the Board of Trustees and UNDP.

Two in-depth evaluations of the project will be undertaken. A mid-term evaluation towards the end of 2004 and a final evaluation in 2007. The terms of reference for the in-depth evaluation will be developed closer to the time of the evaluation.

H. LEGAL CONTEXT

This Project Document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Vanuatu and the United Nations Development Programme, signed by parties on 4 April, 1986. The host country implementing agency shall, for the purpose of the Standard Basic Agreement, refer to the government co-operating agency described in this agreement."

The following types of revisions may be made to this Project Document with the signature of the UNDP principal Project Representative only, provided He or She is assured that the other signatories to the Project Document have no objections to the proposed changes:

- a) Revisions in, or addition of, any of the annexes to the Project Document;
- b) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the Project, but are caused by the arrangement of inputs agreed to or by cost increases due to inflation; and

- c) Mandatory annual revisions, which re-phase the delivery of, agreed Project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

I. WORKPLAN

The work plan for the transition activities is in Annex 5. Six monthly work plans will be prepared by VANWODS in consultation with UNDP and PSLP and endorsed by the Board. The Resources and Results Framework is in Annex 2.

J. BUDGET

The budget showing UNDP contribution is presented in Annex 1.

ANNEXES

1. UNDP Budget
2. Resources and Results Framework
3. Viability and Financing Plan
4. TOR of VANWODS Transition Management Team
5. Transition Plan
6. TOR – Microfinance Training Specialist
7. TOR – VANWODS Manager
8. TOR – VANWODS Finance Officer
9. Minutes of High Level Stakeholders Meeting

ANNEX 1

Sbln	Description	Implementing		Total	2003	2004	2005	2006	2007
010	PERSONNEL								
011	International Consultants								
011.01	Consultant - Evaluation	NEX	Net Amount W/M Total	36,000 2 36,000	0	18,000 1 18,000	0	0	18,000 1 18,000
011.02	Consultants - Product Development	NEX	Net Amount W/M Total	20,500 6 20,500	20,500 6 20,500	0	0	0	0
011.03	Consultant - Savings Project	NEX	Net Amount W/M Total	20,500 6 20,500	20,500 6 20,500	0	0	0	0
011.99	Line Total	-----	Net Amount W/M Total	77,000 14 77,000	41,000 12 41,000	18,000 1 18,000	0	0	18,000 1 18,000
014	UN Volunteers								
014.01	UNV Capacity Building Expert	NEX	Net Amount W/M Total	63,000 18 63,000	28,000 8 28,000	35,000 10 35,000	0	0	0
014.99	Line Total	-----	Net Amount W/M Total	63,000 18 63,000	28,000 8 28,000	35,000 10 35,000	0	0	0
015	Monitoring and Evaluation								
015.01	Project Monitoring	NEX	Net Amount Total	37,500 37,500	7,500 7,500	7,500 7,500	7,500 7,500	7,500 7,500	7,500 7,500

Sbln	Description	Implementing	Total	2003	2004	2005	2006	2007
015.99	Line Total	-----	Net Amount Total	37,500 37,500	7,500 7,500	7,500 7,500	7,500 7,500	7,500 7,500
017	National Consultants							
017.01	Project Manager	NEX	Net Amount W/M Total	27,692 24 27,692	6,926 6 6,926	13,840 12 13,840	6,926 6 6,926	0 0 0
017.02	Finance Officer / IT	NEX	Net Amount W/M Total	16,618 24 16,618	4,320 6 4,320	7,978 12 7,978	4,320 6 4,320	0 0 0
017.99	Line Total	-----	Net Amount W/M Total	44,310 48 44,310	11,246 12 11,246	21,818 24 21,818	11,246 12 11,246	0 0 0
019	PROJECT PERSONNEL TOTAL	-----	Net Amount W/M Total	221,810 80 221,810	87,746 32 87,746	82,318 35 82,318	18,746 12 18,746	7,500 0 7,500
020	CONTRACTS							
021	Contract A							
021.01	Office Rent	NEX	Net Amount Total	13,000 13,000	4,600 4,600	8,400 8,400		
021.99	Line Total	-----	Net Amount Total	13,000 13,000	4,600 4,600	8,400 8,400		
029	SUBCONTRACTS TOTAL	-----	Net Amount Total	13,000 13,000	4,600 4,600	8,400 8,400		
030	TRAINING							
032	Other Training							

Sbln	Description	Implementing	Total	2003	2004	2005	2006	2007
032.01	Operations Trng. Staff	NEX	Net Amount Total	32,000 32,000	6,400 6,400	6,400 6,400	6,400 6,400	6,400 6,400
032.02	Governance Trng - BOT	NEX	Net Amount Total	5,000 5,000	3,280 3,280	1,720 1,720		
032.99	Line Total	-----	Net Amount Total	37,000 37,000	9,680 9,680	8,120 8,120	6,400 6,400	6,400 6,400
039	TRAINING TOTAL	-----	Net Amount Total	37,000 37,000	9,680 9,680	8,120 8,120	6,400 6,400	6,400 6,400
040	EQUIPMENT							
045	Equipment							
045.01	Non- exp. Comp & Office Equipment	NEX	Net Amount Total	32,230 32,230	18,500 18,500	13,730 13,730		
045.99	Line Total	-----	Net Amount Total	32,230 32,230	18,500 18,500	13,730 13,730		
049	EQUIPMENT TOTAL	-----	Net Amount Total	32,230 32,230	18,500 18,500	13,730 13,730		
050	MISCELLANEOUS							
053	Sundries							
053.01	Miscellaneous	NEX	Net Amount Total	2,730 2,730	620 620	610 610	500 500	500 500
053.99	Line Total	-----	Net Amount Total	2,730 2,730	620 620	610 610	500 500	500 500
059	MISCELLANEOUS TOTAL	-----	Net Amount Total	2,730 2,730	620 620	610 610	500 500	500 500

Sbln	Description	Implementing	Total	2003	2004	2005	2006	2007	
070	MICRO-CAPITAL GRANTS								
072	Micro-Capital Grants (other)								
072.01	Business Loans	NEX	Net Amount Total	12,460 12,460	6,230 6,230	6,230 6,230			
072.99	Line Total	-----	Net Amount Total	12,460 12,460	6,230 6,230	6,230 6,230			
079	MICRO-CAPITAL GRANTS TOTAL	-----	Net Amount Total	12,460 12,460	6,230 6,230	6,230 6,230			
099	BUDGET TOTAL	-----	Net Amount W/M Total	319,230 80 319,230	127,376 32 127,376	119,408 35 119,408	25,646 12 25,646	14,400 0 14,400	32,400 1 32,400

PROJECT RESULTS AND RESOURCES FRAMEWORK

1. **Project Title :** VAN/03/001 – VANWODS COMMERCIAL APPROACH TO MICRO FINANCE SERVICES FOR THE POOR AND DISADVANTAGED
2. **Partnership Strategy.** The entire project is a partnership initiative between VANWODS, the government of Vanuatu and UNDP where each party is contributing towards the institutional capacity strengthening and financing required for VANWODS to become a self-sustaining MFI serving the poor.
3. **Intended Outcome:** The proposed VANWODS project intends to see an improved quality of life and living standards for the targeted poor and disadvantaged households. This is to be achieved through the provision of opportunities and access to appropriate micro finance products and services such as business loans for micro-enterprises and income generating projects; non-business loans which will assist the poor in better responding to life's uncertainties and household emergencies; and savings which will assist the target clientele to better prepare and manage the future.
4. **Outcome Indicator.** The targets set forth in the comprehensive viability plan for the proposed VANWODS project shall serve as the parameters/indicators for the intended outcome. These standards are (please refer to Annex 3 for details):
 - Increased outreach (at least 2,000 active clients) from amongst the poor and the disadvantaged households in Port Vila and the adjacent communities, by the year 2008. These clients are expected to have been provided assistance in terms of business loans, educational loans, house improvement, and acquisition of household assets, funds for medical and other family emergencies.
 - Increased income for the previously unemployed and/or underemployed individuals, who have been provided loans for home-based income generating projects and micro enterprises, and/or small businesses operated by women and individuals to supplement household income. This is measured by the number of individuals who have been specifically provided business loans either for new projects, existing projects or supplemental income projects; and have remained active and successful over time.
 - Increased quality of living and livelihood security for the clients who have been provided services in terms of savings facilities and financial assistance generally for the improvement of the families' living standards and conditions. This will be measured in terms of the number of clients who have availed of non-business loans, have properly utilized the funds upon monitoring, and have established satisfactory repayment record.

5. **Strategic Area of Support.** The UNDP shall provide assistance in the establishment of the foundations for a commercially-oriented micro finance institution; the technical and financial assistance in building the institutional capacity of the VANWODS MFI and in the development of its operations during the initial two (2) years. In specific terms, UNDP through the Pacific Sustainable Livelihood Program and in close coordination with the Government of Vanuatu and the other stakeholders, shall provide the technical expertise and supervise the re-engineering of the operations of VANWODS, and in the preparation of institutional/legal/operational requirements for the commercially-oriented MFI. UNDP shall likewise provide technical and financial assistance for skills development of the management and staff, the development of the appropriate systems and procedures and the specific products and services. Details of the support are tabulated in the following Resource and Results Framework.

Intended Outputs and Indicators	Estimated Date Completion	Indicative Activities	Inputs	Costs In US\$	
<p>1. A commercially-oriented Micro Finance operation developed from the previous Vanwods, the NGO. The following shall be the main indicators for the intended output:</p> <ul style="list-style-type: none"> • Restructured organization duly registered as a legal entity. • Revised constitution documented and approved by the Board of Trustees. • Board of Trustees formed and confirmed 	April 2003	Re-engineering of the operations of the current Vanwods	1 – International UNV	63,000	
		Revision of the Constitution	1 – Local Manager		
		Establishment of the new Board of Trustees.	1 – Finance and IT Officer	27,692	
		May 2003	Registration of the reorganized Vanwods.	Operations’ Staff training and human resource development	16,618
			Development of systems and procedures.	Commercial MFI Governance Training for the Board and Management Staff.	32,000
		May 2003			5,000

<ul style="list-style-type: none"> • Operations Manual documented and approved by the Board of Trustees. • Office Systems and Procedures documented and approved for implementation by the Board of Trustees • Governance Training documented, undertaken. • Staff training completed. 	June 2003			
	June 2003			
	July 2003			
	July 2003			
Total For Output 1				144,310
Intended Outputs and Indicators		Indicative Activities	Inputs	Costs In US\$
2.A fully operational and sustainable Vanwods MFI, within six (6) years, indicated by operations target as contained in the Annex 3 and 3b, attached.	Year ends starting 2003 - 2008.	Acquisition of a suitably located office and start of operations by July 2003.	Office Rent & Other Operating Expenses.	13,000
		Acquisition of the initial batch of office furniture, computers and equipment by July 2003.	Computers and Office Equipment	32,230
		Development/Marketing of new financial	International Consultant-	20,500

		Products and services. (Continuing process).	Product Development	
		Marketing/Implement Savings program to start by July 2003.	On-lending capital funds	12,460
		Independent Monitoring and assessment of the operations. The first assessment by November 2003 and the second on March 2004.	International Consultant- Savings Mobilization	20,500
		Internal monitoring and evaluation of operations to be conducted at least twice a year, the first to be on July 2003 during the launch of the new operations.	International Consultant - Monitoring and Evaluation. Project Monitoring Costs and Transportation.	36,000 37,500
			Sundries	2,730
Total for Output 2				174,920
GRAND TOTAL				319,230

ANNEX 3

**VIABILITY PLAN
PROFIT AND LOSS STATEMENT
For The Periods 2003 - 2006**

	YEAR - 1 (July - December)	YEAR - 2	YEAR - 3	YEAR - 4	YEAR - 5	YEAR - 6
SOURCES OF INCOME						
Interest Income - Business Loans	263,664	2,252,377	3,937,345	4,055,138	4,922,740	5,909,649
Interest Income - Non Business Loans	385,128	2,350,595	3,788,877	4,159,933	5,306,382	6,133,222
Other Income - Fund Management Fees						
Other Income - Miscellaneous						
TOTAL INCOME FROM OPERATIONS	648,792	4,602,972	7,726,221	8,215,071	10,229,122	12,042,871
VARIABLE OPERATING EXPENSES						
Salaries and Wages - Production Staff	1,680,000	3,360,000	3,360,000	3,570,000	5,040,000	6,048,000
Account Processing Expenses	42,950	109,182	125,775	129,245	147,170	156,867
Account Monitoring Expenses	82,375	222,955	264,438	273,114	317,926	342,167
Clients Training Expenses	71,400	208,200	232,000	242,750	348,000	522,000
Check Book Expenses - Loan Releases	13,912	69,383	100,360	106,226	138,338	155,755
Miscellaneous Variable Expenses						
TOTAL VARIABLE EXPENSES	1,890,637	3,969,720	4,082,573	4,321,335	5,991,434	7,224,789
FIXED OPERATING EXPENSES						
Salaries and Wages - Management & Staff	2,280,000	4,560,000	4,980,000	4,980,000	4,980,000	4,980,000
Office Rent	1,350,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918
Staff Training Expenses	810,000	1,620,000	1,350,000	810,000	810,000	810,000
Office Supplies and Materials	30,000	60,000	60,000	60,000	60,000	60,000
Legal and Professional Fees	31,500	72,600	79,860	87,846	96,631	96,631
Repairs and Maintenance	30,000	66,000	66,000	66,000	72,600	79,860
Electricity, Water & Utilities	220,000	440,000	440,000	440,000	440,000	440,000
Telephone, Email and Communications	60,000	120,000	120,000	120,000	120,000	120,000
Miscellaneous Fixed Expenses						
TOTAL FIXED EXPENSES	2,531,500	4,358,600	4,293,860	3,979,646	4,234,611	4,505,409
TOTAL OPERATING EXPENSES	4,422,137	8,328,320	8,376,433	8,300,981	10,226,045	11,730,198
NET INCOME (LOSS) FROM OPERATIONS	-3,773,345	-3,725,348	-650,212	-85,911	3,077	312,673

**THE VANWODS MFI
VIABILITY PLAN
Summary of Projected Operations
Proposed Commercial MFI Operations**

	(Jul - Dec) 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
PROJECTED NUMBER OF STAFF						
Manager	1	1	1	1	1	1
Finance Officer	1	1	1	1	1	1
Field Staff (FCO)	4	4	4	6	6	6
Office Support Staff	4	4	5	5	5	5
Total Number of Staff	10	10	11	13	13	13
PROJECTED CLIENT OUTREACH						
Business Loans	52	107	119	122	159	180
Non-Business Loans	107	192	209	223	298	325
Total Number of Clients	159	299	328	345	457	505
Cumulative Number of Clients	159	458	786	1,131	1,588	2,093
PROJECTED AMOUNTS OF LOANS RELEASES						
Business Loans (In VT'000)	2,254	14,938	22,668	23,366	29,032	34,263
Non Business Loans (In VT'000)	3,684	17,836	26,533	28,634	37,327	41,948
Total Amount of Loan Releases (In VT'000)	5,938	32,774	49,202	52,000	66,359	76,211
Cumulative Amounts of Loan Releases (In VT'000)	5,938	38,712	87,914	139,914	206,273	282,484
PROJECTED FUNDS USE (In VT'000)						
Total Funds For Loan Releases-Business Loans	2,254	14,938	22,668	23,366	29,032	34,263
Total Funds For Loan Releases-Non Business Loans	3,684	17,836	26,533	28,634	37,327	41,948
Total Funds For Operating Expenses	4,422	8,329	8,377	8,301	10,226	11,730
Total Budget for Technical Assistance	4,050	5,400	5,400	3,340	-	-
Total Funds For Capital Expenses	4,500	2,500	1,000	4,500	2,500	1,000
Total Projected Use of Funds	18,910	49,003	63,978	68,141	79,085	88,941
PROJECTED SOURCES OF FUNDS (In VT'000)						
Ni - Vanuatu Business Centre	10,000	-	-	-	-	-
The Government of Vanuatu	-	10,000	10,000	15,000	7,500	-
UNDP	20,000	20,500	-	-	-	-
Cash Generated From The Operations	4,197	29,462	48,726	51,972	64,768	76,217
Total Funds Required For Operations	34,197	59,962	58,726	66,972	72,268	76,217
Projected Net Funds Available After Outflow	15,287	10,959	5,252	1,169	6,817	12,724
Cumulative Fund Balance	15,287	26,246	20,994	19,825	13,008	284
PROJECTED PROFITABILITY (In VT'000)						
Total Interest Incomes	649	4,603	7,726	8,215	10,229	12,043
Total Direct Expenses	1,891	3,970	4,083	4,321	5,991	7,225
Total Indirect Expenses	2,532	4,359	4,294	3,980	4,235	4,505
Total Income (Loss During The Period)	- 3,773	- 3,725	- 650	- 86	3	313
% Cost Cover By Internal Income	14.7%	55.3%	92.2%	99.0%	100.0%	102.7%

VANWODS MICRO FINANCE INSTITUTION
SUMMARY OF FUNDS CONTRIBUTIONS BY SOURCE
Years 2003 to 2008

(In VT '000)	2003	2004	2005	2006	2007	2008	TOTALS	EUS\$	% TOTAL
TOTAL FUNDS REQUIRED FOR OPERATIONS	34,197	59,962	58,728	66,972	72,268	76,221	368,348	\$ 2,729	
FUNDS PROVIDED BY							-		
THE VANUATU GOVERNMENT	-	10,000	10,000	15,000	7,500	-	42,500	\$ 315	11.54%
THE NI-VANUATU BUSINESS CENTRE	10,000	-	-	-	-	-	10,000	\$ 74	2.71%
UNDP***	15,018	18,069	2,673	1,155	3,591		40,506	\$ 300	11.00%
FUNDS INTERNALLY GENERATED FROM OPERATIONS	4,197	29,462	48,726	51,972	64,768	76,217	275,342	\$ 2,040	74.75%
GRAND TOTALS (VATU)	29,215	57,531	61,399	68,127	75,859	76,217	368,348	\$ 2,729	100.00%
EQUIVALENT '000 US DOLLARS	216	426	455	505	562	565	2,729		

ANNEX 4

TERMS OF REFERENCE FOR THE VANWODS TRANSITION MANAGEMENT TEAM (VTMT)

1. JOB SPECIFICATION

The VANWODS Transition Management Team (VTMT) shall be formed subsequent to the decision made during the VANWODS HIGH LEVEL CONSULTATION MEETING held in Club Vanuatu on 03 February 2003, to provide the technical assistance in the proper accomplishments of the remaining business of VANWODS MFI and to assist in the formation of the new organization, to be initially named as VANOWDS MICROFINANCE, INC.; capacity building of the institution and to assist in the initial stages of the actual operations."

The team shall be formed by virtue of an agreement between the Vanuatu Government and UNDP, as major proponent/stakeholder to the new organization. The transition strategy and planning shall be prepared by the UNDP-PSLP in view of its technical expertise and as part of its ongoing technical support to the Government of Vanuatu. Its implementation shall be undertaken by the VTMT. In addition, UNDP-PSLP shall second such other suitably qualified person(s) as deemed necessary in accomplishing the transitional activities. The VTMT shall report regularly on the progress of its activities and accomplishments to the Vanuatu Government, UNDP and the newly constituted board of VANWODS MICROFINANCE, INC. when established.

2. **JOB DESCRIPTION.** The VTMT shall manage, supervise and implement the transition activities required for the establishment of the VANWODS MICRO FINANCE INC., as set forth in the Schedule of Transition Activities, herein attached. Its function shall center on three (3) major activities.

2.1. Post VANWODS Activities. To ensure the proper cessation of the business of the VANWODS MFI and the transfer/accomplishments of the remaining business at hand. Specifically the responsibilities of VTMT shall be to supervise the following:

- 2.1.1. Hiring and entering into an initial three month-work contracts with the current staff of VANWODS MFI, in behalf of the stakeholders assuming the operations of the VANWQODS MFI. The definition of duties to be assigned to the said staff and the overall supervision and monitoring of the performance of the said employees.

- 2.1.2. The recruitment and hiring of staff in addition to and/or replacement of the current staff if and when the situation so requires.
 - 2.1.3. Reconciliation of the VANWODS Bank accounts and the preparation of the proper relative reports for the same.
 - 2.1.4. Preparation of formal reports containing the acquittal of funds and/or grants received.
 - 2.1.5. Collection and recording of the loans receivables, members' savings deposits and savings transactions and the proper recording of the same.
 - 2.1.6. The proper conduct and recording of bank transactions including but not limited to the deposit and withdrawal of any and all cash received and/or to be disbursed relative to the transactions of and with VANWODS, in particular the loans collections, savings deposits, savings withdrawals, official payments, etc.
 - 2.1.7. Monitoring of the existing members' centres and attendance to the businesses with the members and/or clients of VANWODS which shall be limited to the activities under section 2.1.3. There shall be no processing of loan applications until such time that the funds and/or grants have been fully acquitted and officially acknowledged by UNDP and the Vanuatu Government.
 - 2.1.8. Formal closing of all businesses of the VANWODS.
- 2.2. Pre-Operating Activities for the VANWODS MICRO FINANCE INC. The VTMT shall supervise the activities required to establish the new organization initially named as VANWODS MICRO FINANCE INC. Specifically, the VTMT shall be tasked with the following:
- 2.2.1. Recruitment, short-listing and the relevant activities of staff for the regular operations of the new organization, VANWODS MICRO FINANCE INC. Short-listed candidates shall be recommended for final interview by the duly constituted Board of Trustees of the new organization.
 - 2.2.2. The preparation of the Constitution and By-Laws. Said documents shall be presented to the officially constituted Board of Trustees for approval in a special meeting to be called for such purpose.
 - 2.2.3. The formulation of guidelines for the formation of the Board of Trustees for the VANWODS MICRO FINANCE INC. Said guidelines shall be presented to the Vanuatu Government and UNDP for approval.

- 2.2.4. The formation and finalization of the Board of Trustees, based on the approved guidelines.
 - 2.2.5. The Registration of the VANWODS MICRO FINANCE INC., and the submission of the approved constitution and by laws.
 - 2.2.6. The formulation of the Organizational and Office Policies and Procedures, for approval by the Board of Trustees.
 - 2.2.7. The preparation of the Operations Manual and supplementary documents thereof.
- 2.3. Operations & Institutional Capacity Building. The VTMT shall provide the necessary technical assistance for the proper installation of the new operations and the capacity development of the management and staff. Specifically, VTMT shall be tasked with the following:
- 2.3.1. The conduct of Training Needs Analysis of the new members of the Board of Trustees, management and staff of the VANWODS MICRO FINANCE INC., especially on the aspect of proper governance and management of micro finance institutions.
 - 2.3.2. Arrangement for and/or conduct of the relevant training and orientation for the Board of Trustees, Management and Staff of the VANWODS MICRO FINANCE INC, based on the result of the TNA as mentioned in section 2.3.1.
 - 2.3.3. Preparation of the VANWODS MF INC.'s revised operations manual, office policies and procedures for approval by the Board of Trustees, and the orientation and training of the staff on the same.
 - 2.3.4. Supervise the actual implementation of the revised Operations Manual on the field and provide assistance and guidance to the regular staff on the application of the same.
 - 2.3.5. Monitor, analyze and secure feedback from the field staff, on the result/ actual experience in the implementation of the revised operations and to conduct appropriate revisions and amendments if needed.
 - 2.3.6. Supervise the setting up of an appropriate and efficient operations and staff performance monitoring system.
 - 2.3.7. Supervise the setting up of an efficient Management Information System.

- 2.3.8. Supervise the setting up of a user friendly and efficient office records filing system.
- 2.3.9. Train and guide the regular staff in the actual use of the MIS and the file/record management systems in place.

3. REPORT REQUIREMENTS AND SCHEDULE

- 3.1. Post VANWODS Reports specifically the Bank Reconciliation Report and the Final Financial Reports of the post VANUATU phase.
- 3.2. Transition Phase Accomplishment Reports based on the schedule of activities detailed in the TVMT Program of Activities.
- 3.3. Monthly Operations Report with emphasis on the parameters and targets set forth in the approved Financial Plan.
- 3.4. Monthly Financial Reports with details on Cash Position and Financial Condition.
- 3.5. Pre - Hand Over Evaluation Report
- 3.6. Project Hand- over Reports including the Acquittal of Funds and Operations Report as of date of Hand Over.

VANWODS MICRO FINANCE, INC. (VANWODS 2)
Transformation Time Table/Work Schedule
Jan 2003 - March 2004

PHASE/ ACTIVITIES	JAN-FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
I. APPROVAL OF TRANSFORMATION													
Presentation of the Project Review													
Secure Approval for Re-Engineering of VANWODS 1													
II. PROJECT DOCUMENT - VANWODS 2													
Preparation/Approval of TOR for VTMT													
Approval by the Govt. of Vanuatu on Transition Strategy													
Preparation of the Project Document for VANWODS 2													
Send Initial Draft of the Project Document to Vanuatu													
Finalization/Signing of the PRODOC													
III. CLOSING OPERATIONS - VANWODS 1													
Preparation of Operating Budget for the 3-month Closing Down Operations													
Secure approval of the funding for the closing down operations													
Issuance of 3-month contracts for the current staff													
Communication with the Existing Centres on VANWODS 2													
Regularization of Financial Records/Bank Reconciliations													
Collection of loans outstandings/savings deposits													
Monitoring of Centres' Collection Activities													
Maintenance/Continued Servicing of Existing Centres													
IV. TRANSITION PHASE													
Completion of Transition Phase/Registration of new VANWODS													
Review/Revision/Approval of the VANWODS Constitution													
Formulation of policies and procedures for the formation of BOARD													
Initiate Formation of the BOARD													
Assist in the final selection/interview of candidates for BOT													
Design and Preparation of the revised Organizational Chart and Accountability Structure.													
Approval of the Revised Operations Manual													
Recruitment/Attachment of the International UNV													
Preparation of the staffing requirements for VANWODS 2/TOR													
Recruitment and Staffing of VANWODS 2 Operations													
Orientation/Operations Training for the Staff													
Governance Training for the BOT/Local Management Staff													
Formulation of specification for the MIS/secure Quotations													
Sourcing of Funds for the MIS (NZ AID Small Grants Scheme)													
Follow Up Funding of MIS/Secure Funds													
V. ACTUAL PROJECT IMPLEMENTATION - VANWODS 2													
Conduct of massive marketing campaign/Community Orientation on the VANWODS 2													
Process Pending Applications under VANWODS 1													
Regular Operations of VANWODS 2/Feedbacking													
VI. PROJECT TURN-OVER PHASE													
First Program Evaluation													
Presentation of Findings to the Government/UNDP/BOT													
Formal Turnover													

TERMS OF REFERENCE
INTERNATIONAL CONSULTANT - MFI CAPACITY BUILDING

Job Description

Contract duration : Eleven (11) Months
Start Date; : Immediate
Job Location: : Port Vila, Vanuatu
Reporting to : UNDP -PSLP Regional Headquarters

Job purpose:

To ensure that the project is implemented and managed in line with the programme plan and policy, and that the capacity of the local Manager for the VANWODS Micro Finance, Inc. is developed so that s/he can sufficiently take over the Management role at the end of the International Consultant's contract.

Main duties and responsibilities:

1. Reporting directly to the VANWODS Transition Management Team and under the supervision of the UNDP PSLP Regional Office in Suva.
2. Directly manage the process of forming the microfinance institution, see to and directly supervise the implementation of the transformation strategy and the revised operations based on the approved Operations Manual and the supporting policies and procedures.
3. Ensure the achievement of the operations targets within the limitations of the resources under the approved financial plan.
4. Ensure the development of staff capacity to implement the programme, in close coordination with the VANWODS Transition Management Team (VTMT).
5. Build the capacity of the Local Manager of the organization, to possibly take over the lead role in the management of the operations of the VANWODS Micro Finance, Inc. The Local manager shall be specifically trained on external report -writing, budget preparation, policy development, impact monitoring, critical analysis, strategic thinking.

6. Manage project policy development under and in direct liaison/coordination with the VANWODS Transition Management Team, the UNDP-PSLP and the Host Ministry.
7. Ensure that the programme policies in targeting the poor and the disadvantaged are maintained, in line with the outreach strategy.
8. Control project expenditure in accordance with agreed budgets. Ensure full accountability and transparency. Oversee day to day expenditure; control cash movements.
9. Submit timely quarterly reports for internal records and narrative/financial reports for external funders as and when required.
10. Assist the VTMT/UNDP-PSLP and the Host Ministry in developing the project's financial monitoring and management systems, assist in its implementation, and organize monitoring and evaluation initiatives, such as impact monitoring and market - field surveys.
11. Conduct weekly team meetings; manage branch personnel issues, including recruitment and disciplinary procedures.
12. Organize or provide (internally or externally) appropriate training and study trips for project staff.
13. Provide inputs to the VTMT for the design of annual work plans, the organization of periodic review and planning sessions, and ensure that project work is carried out in line with agreed proposals.
14. Supervise the management of field operations; this should include regular monitoring visits to the field.
15. Keep the VTMT, the Host Ministry and the Board of Trustees informed of all significant developments and to participate in the regular Board Meetings.

TERMS OF REFERENCE

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POSITION TITLE : MFI MANAGER

REPORTS TO : Directly responsible for Operational Objectives and Activities to the BOARD OF DIRECTORS.

PRIMARY OBJECTIVE

The position is an Executive Officer level, and shall be mainly responsible for the efficient and effective operation of the VANWODS MICRO FINANCE INSTITUTION. The position shall have the following as main objectives:

- To assist the Host Ministry in the overall achievement of the general and specific objectives of the Project..
- To put into action the direction put forth by the VMFI BOARD OF DIRECTORS in line with the operational objectives of the organization.
- To ensure that all resources allocated to and for the VMFI are properly utilized, accounted for and provided in line with the approved principles and guidelines covering the said resources.

JOB REQUIREMENT/SPECIFICATION

The position requires a person with strong education in Management, Business, banking or Finance. He/she should possess a Degree in the relevant discipline; familiarity working with NGO, credit unions, loans and savings associations and/or business development programs; strong computer skills; word processing, spreadsheets and financial management software; substantial management or senior supervisory experience (at least 3 years) and excellent organizational skills; good interpersonal skills; experience in the field of Micro Finance Project implementation or any similar projects will be a distinct advantage; has passion for community work, result-oriented, can work well under pressure, articulate, fluent in oral/written English, apart from the native language. Should be a Team Player.

The Manager should also possess strong capabilities in the preparation of project proposals, financial forecasting and viability plans; also familiar with procedures in loans and credit processing; of funds management, office administration, general operations, staff performance monitoring and evaluation. He/she should possess keen attention to details and factors affecting operations, a good understanding of people, meticulous about performance standards and efficiency, analytical and able to make deductive conclusions. Must be proficient in report writing.

SPECIFIC DUTIES/RESPONSIBILITIES

A. MICRO FINANCE PROGRAM IMPLEMENTATION

1. Assist the BOARD and the Host Ministry in the development of strategic and operational plans including budgets and financial projections for the Micro Finance Programs of the VMFI.
2. Manage and supervise the general operations of the organization (VMFI), specifically the implementation of the Micro Finance Program(s) and Services mandated for the organization
3. Ensure that administrative, financial and program implementation activities are in accordance with the VMFI set of policies and procedures, and within the framework of its organizational vision and mission statements.
4. Directly and closely monitor and evaluate the Micro Finance Program Operations, evaluate the results in consideration of the prescribed operational and financial targets and goals (viability plan), and consequently keep the BOARD and the DWA regularly informed of the same.
5. Direct measures to improve or maintain strong portfolio quality and efficient use of funds.
6. Be constantly aware of the institutional capacity of the organization and the staff, and to network or conduct training on various topics related to micro finance and institutional development.
7. Evaluate the overall impact of Micro Finance programs in connection with the program objectives, social and institutional objectives of the government and the organization as well.

B. FINANCE AND ADMINISTRATION

1. Ensure that all the resources allocated to and for the VMFI are properly, effectively and efficiently utilized and accounted for.
2. Establish and maintain an effective and efficient accounting and financial system, including internal control policies and to ensure that the same are in accordance with appropriate and generally accepted principles and procedures.

3. Ensure that funds utilization are for the specific purpose(s) as outlined in the approved Viability Plan. Likewise that funds used are within the levels allocated for in the same Viability Plan.
4. Prepare a comprehensive Project Viability Plan as and when needed; or to prepare revisions to previous Viability Plans and present the same to the BOARD and the DWA for approval.
5. Ensure the conduct of a periodic analysis of the financial statements and accounting records of the VMFI, with the view of applying the findings to improve the efficiency of the operations.
6. Undertake the supervision and management of all the administrative requirements of the office and the Program and liaise for the same with the host government office/agency.
7. Ensure that proper, appropriate and prompt administrative supports are provided to the organization and the operations.
8. Oversee the maintenance of efficient records and file management system for and in support of the operations.
9. Undertake any other duties assigned by the BOARD of DIRECTORS, from time to time.